

# The Gender Gap in the Investment Environment

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## Background

Most developing countries have undergone economic liberalization to some extent in recent years. Particular attention has been focused on areas such as:

- liberalizing the foreign exchange market;
- rationalizing tax and tariff rates;
- establishing investment and export incentives;
- creating a more stable macroeconomic environment.

These reforms have led to economic growth in many countries and specifically to greater direct investment, both domestic and foreign. However, despite improvements, the formal investment response in most developing countries remains disappointing. The institutional and operating barriers that remain continue to deter investment. In many countries, these investment deterrents include significant disparities in market access between male investors or entrepreneurs and their female counterparts.

The gender-specific difficulties facing female investors and entrepreneurs are an added burden on top of the administrative constraints that confront all investors. In many countries, the success of major policy reforms such as taxes, tariffs, and foreign exchange regulations has overshadowed the "second-tier" of regulatory and procedural reforms, which remain to be addressed. These administrative constraints frequently have their origins in issues that are less obvious and/or more difficult to address than formal policies and laws. They can include everything from access to land to registration of fax machines. When grouped together as a whole, these types of constraints can restrict private sector

development, and when coupled with additional gender specific obstacles deriving from official policies or unofficial cultural practices, they can become overwhelming for female entrepreneurs.

Due to limited resources and time, many governments have not paid enough attention to regulatory and administrative processes that limit women's options and reinforce their economic disadvantage. Even when formal policies require equal treatment of men and women, laws and regulations that are gender neutral on paper are often applied and enforced in a discriminatory manner. The resulting disadvantages impact women in all areas of economic intercourse, from day-to-day commercial and financing activities to interactions with government officials. Furthermore, because women in low-income countries are more likely than men to be self-employed, barriers on entrepreneurial activity, such as lack of access to credit, high transaction costs and absence to land rights, can have a disproportionate impact on them.

Development experience has shown that assisting women in improving their economic status not only contributes to broad economic growth but is an integral component to poverty alleviation and sustainable development. In many countries, the constitutional provisions for equality already exist and simply require a translation of these provisions into practice through legal, regulatory and institutional change. When shown clear evidence of discrimination and its economic cost, a government can decide to ensure that institutional barriers toward women are removed and that policies are administered equally. Institutionalized disadvantages (i.e., the "gender gap") can be identified, addressed, and eliminated, given the proper analysis and the political will for change. The TSG Gender Gap study and

process reengineering interventions provide assistance to target governments in their efforts to eliminate access problems for female investors and entrepreneurs.

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## **Methodology**

The Investor Roadmaps that have been conducted by TSG in various countries have been very effective in highlighting areas of excessive bureaucracy and burdensome regulations that constrain private investment. The same methodological model can be used to collect information specific to issues revolving around the gender gap. Laws that discriminate, regulations that create undue burdens, and procedures that bias can all be identified with the Roadmap methodology.

The adaptability of the Roadmap methodology has been demonstrated in many countries with varying levels of economic development. The methodology depends on interviews with the government officials and members of the private sector, and analysis of laws and regulations. The usual Roadmap model categorizes investor interactions with government into several processes, grouped into four general areas, typically as follows:

- (1) Reporting – business registration; sectoral licensing by line ministries; local licensing by municipalities; registering intellectual property; registering and paying taxes; acquiring investment incentives.
- (2) Employing -- investor entry; importing expatriate labor; hiring local employees.
- (3) Locating -- acquiring land; site development; utility hook-ups; environmental compliance.

- (4) Operating – product standards certification; import and export licensing; customs clearance; duty drawback; bond release; currency conversion; repatriating earnings.

These processes are then subjected to a step-by-step analysis, identifying regulatory hurdles and administrative bottlenecks that impede investment. The Gender Gap Analysis will focus its analysis on these processes as they relate to female investors and investors.

Investor Roadmaps have already been performed in several countries and have compiled detailed information on the legal, regulatory, institutional, and procedural processes related to investing in each country. Because it is useful to understand the overall investment environment in order to properly gauge and assess the full extent of gender inequalities, the Gender Gap Analysis derives heavily from the Investor Roadmap exercise. The data collected from the Gender Gap Analysis can be compared with a country's main Investor Roadmap to determine different treatment for female investors (e.g., reporting requirements, red tape, and denial of access to government services).

A Gender Gap Analysis can be performed together with a main Investor Roadmap, or as a separate follow-up analysis using the Roadmap findings as the baseline for comparison. In cases where an Investor Roadmap is not current the consultants will first update the Roadmap. It is expected that the Gender Gap Analysis model, like the main Investor Roadmap model, will be easily adapted to meet the requirements of various countries.

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## Tasks Phase I

Phase I of the Gender Gap Analysis is a diagnostic and prescriptive study that documents the regulatory, institutional and administrative barriers particular to female investors. The diagnostic identifies instances of discrimination that impede female investors. Data collected can be benchmarked against the investment environment analyzed under the broader Investor Roadmap. The Gender Gap diagnostic analysis is based on:

**Investigative analysis** – the Roadmap methodology of addressing each investor process on a step-by-step basis will be employed for the Gender Gap Analysis. Specifically, the analysis will address the four general areas of interaction between the government and the private sector. Interviews will be conducted with government agencies as well as private investors. Specific emphasis will be placed on the domestic female investor and entrepreneur. In addition, the focus will be directed toward identifying variances, if any, in impediments encountered between small, medium and large investments.

**Legal and regulatory review** – laws and regulations will be collected and analyzed to identify instances of discrimination and investment barriers in the formal legal framework.

**Focus groups** – women investors will form focus groups to help identify procedural bottlenecks and issues of discrimination, both formal and informal. Separate focus groups will be formed for small, medium and large scale female investors. Each focus group will consist of 12 to 15 female investors and entrepreneurs. Emphasis will be placed on achieving geographical representation

of investors located in provincial municipalities as well as the capital city.

## **Output Phase I**

There will be two outputs in Phase I:

**Report** - The initial diagnostic report consists of an analysis of the components of institutionalized gender gaps for each of the 13 processes. The findings will be summarized in a tabular format for easy reference and comparison. Each section will be concluded with recommendations for eliminating formal regulatory discrimination and informal institutionalized biases. The report will conclude with a summary of the hurdles with which the countries burden their women investors and a priority list of corrective “next steps”.

While the first part of the exercise centers on quantifying the implications of discrimination in the four processes groups, it also endeavors to create the momentum for the second half of the exercise, change implementation. Successful change implementation is highly dependent on identifying motivated as well as well-positioned change sponsors and change leaders. Consequently, a domestic women’s organization along with (ideally) a government agency are identified as local counterparts for the exercise.

**Workshops and Action Plan:** -- the second portion of Phase I will focus on delivering a methodology, in the form of an “Action Plan,” for overcoming identified impediments.

The Action Plan will emerge from a two to three day workshop led by the consultants. Participants in the workshop will include government representatives and female investors and

entrepreneurs. The objective of the workshop is to facilitate an open dialogue among the participants on the diagnostic findings and to agree on a final Action Plan for the implementation of corrective steps in two to three target areas that will lead to the elimination of institutionalized barriers to female investors.

The Action Plan will include such issues as:

- (1) Identifying the most critical processes to be targeted for reform;
- (2) Establishing measurable goals for each process, allowing the counterparts to document the achieved successes;
- (3) Designing measurement systems that can be used to assess progress;
- (4) Conducting awareness workshops with government agencies designed to elicit plans to achieve objectives;
- (5) Designing an ongoing press program.

## **Tasks Phase II**

This is the implementation of the longer-term corrective steps identified in Phase I. In this phase, a resident consultant will be assigned to facilitate the implementation of these activities. Generally, the activities include implementation of process reforms identified and recommended in the diagnostic. Whereas Phase I focuses on designing an Action Plan for two to three targeted areas, Phase II focuses on designing Action Plans for all areas where impediments were identified. The consultant will facilitate various workshops to strategize and evaluate change efforts. These workshops follow the format established in Phase I.

To the extent that laws and regulations need to be addressed to correct discrimination in the policy environment, legal and/or governance specialists will provide the necessary technical assistance to prepare appropriate policy and regulatory reforms.

The consultant will work closely with a local counterpart association or agency to generate a sustainable momentum for change and will transfer skills and perform training as necessary to ensure sustainability of the program.

The press will be engaged as appropriate throughout the program. Further dissemination of the progress and of the commitments agreed to should be undertaken by the counterpart agency, with assistance from the consultant.

## **Outputs Phase II**

The phase II output is an Assessment Report on the progress achieved as well as on the government's commitment to reform. The report highlights improvements achieved in the successful implementation of process reforms, as well remaining actions to be taken.